

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Kelley Analyst: Roger Lackey Bill Number: SB 1904

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 04-04-2000

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Enterprise Zone Credits & Deductions/Authorizes Use Of Credits & Deductions Against Tax From Activities Within All Enterprise Zones

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 24, 2000, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

This bill would allow taxpayers to offset more of their enterprise zone sales and use tax credit, enterprise zone qualified hiring credit, or enterprise zone net operating loss (NOL) deduction against their annual tax liability. This bill would allow these benefits to be claimed against taxes or income attributable to any enterprise zone in which the taxpayer is engaged in a trade or business, rather than just taxes or income attributable to the individual enterprise zone where the benefit arose.

SUMMARY OF AMENDMENT

The April 4, 2000, amendment added provisions that would allow taxpayers to use an NOL incurred in an enterprise zone against income attributable to any enterprise zone in which the taxpayer is engaged in a trade or business.

The amendment resolves the implementation concern in the department's prior analysis regarding redefining "enterprise zone" for only two of the zone benefits. It also partially resolves the policy consideration.

As a result of the amendment, a revised revenue estimate is provided below. Except for the discussion of this analysis, the department's analysis of the bill as introduced February 24, 2000, still applies.

Tax Revenue Estimate

Based on limited data and assumptions discussed below, revenue losses from this bill are estimated to be on the order of \$1.1 million per year beginning with fiscal year 2000-01.

Board Position:

<u> </u> S	<u> </u> NA	<u> </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> X </u> PENDING

Legislative Director

Date

Johnnie Lou Rosas

4/20/00

Tax Revenue Discussion

According to departmental data for tax year 1997, fewer than 20 business entities were doing business in two or more enterprise zones and reporting positive taxable income.

It is projected that from the \$8 million of unapplied credits and NOLs generated by these few taxpayers, approximately \$1 million would be applied annually against available net income or tax liabilities attributed to other zones above what would have normally been applied as carryover credits and NOLs. The portion of the estimate attributed to NOLs is minor, less than \$150,000 impact.

BOARD POSITION

Pending.